

Portfolio Breakdown

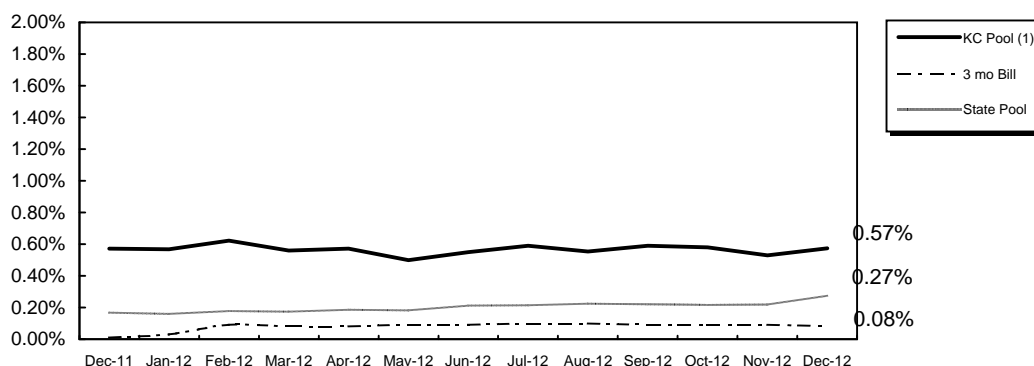
The following is a breakdown of the Investment Pool holdings for December 2012

	Average (\$000)	% of Portfolio
U.S. Agency Securities	2,000,724	43.0%
Commercial Paper	-	0.0%
Taxable Municipal Securities	-	0.0%
Bankers Acceptances	-	0.0%
U.S. Agency Mortgage-backed Securities	16,402	0.4%
Repurchase Agreements	165,903	3.6%
Treasury Securities	1,677,317	36.0%
Certificates of Deposit & Overnight Deposits	-	0.0%
Local Government Investment Pool	795,915	17.1%
Reverse Repurchase Agreements	-	0.0%
Total	\$4,656,262	100%

*Average Pool Effective Duration: 1.36 Years

*Duration is a measure of the length of the portfolio's expected cash flows and is a better measure of average portfolio life than maturity.

Investment Pool Performance (before Pool fees)



(1) King County pool distribution rate has not been adjusted for realized losses (or recoveries) from impaired commercial paper investments.

Pool Net Asset Fair Value on December 31, 2012

Net Assets ⁽²⁾	\$4,668,528,346.51
Net Assets Consist of:	
Participant units outstanding (\$1.00 par)	\$4,654,735,546.90
Undistributed and unrealized gains(losses)	\$13,792,799.61
Net Assets	\$4,668,528,346.51
Net asset value at fair value price per share (\$4,668,528,346.51 divided by \$4,654,735,546.90 units)	<u>\$1.0030</u>

(2) Excludes impaired assets that have been separated into a separate pool.

***** 5th Annual Investment Pool Meeting *****

All participants are invited to attend the 5th Annual King County Investment Pool meeting that is scheduled for January 24, 2013 at 1 pm and will last approximately 90 minutes. The meeting will be held at Bellevue City Hall in Room 1E-112. City Hall is located at 450 110th Ave. NE (Northeast Fourth Street and 110th Avenue Northeast) in downtown Bellevue, near the Bellevue Transit Center, a block west of Interstate 405. The visitor parking entrance is located on 110th Avenue and directions to the City Hall are located at the City of Bellevue's website: http://www.bellevuewa.gov/directions_to_city_hall.htm

This is a great opportunity to learn more about the investment pool and to hear from the pool's financial advisor, get an update on recent legal developments concerning the investments in the impaired pool, get an economic update from the County's Chief Economist, and hear other presentations from County personnel involved in the management of the pool. You will also have an opportunity to get any questions you might have about the pool answered.

We are continuing to invest the pool's assets in securities that have the support of the Federal government. We also continue to consult regularly with our investment consultant, PFM, and they concur with our current strategy. King County also remains committed to sharing information with pool members about investment holdings. Please call the Treasury Operations number at 206-296-7326 if you have any questions.

King County Pool Rating

In January 2008, the rating of the King County investment pool was temporarily suspended by Standard & Poor's pending further information being available on the outcome of restructuring proposals associated with each impaired investment. Three of four restructurings were completed in 2008 and the fourth was completed in September of 2009. The County will reevaluate the decision regarding pursuit of a new pool rating, and this is expected to occur in the first half of 2013.

Impaired Pool Holdings Report
12/31/2012

Commercial Paper Issuer	Status	Current Book Value	Estimated Fair Value	Fair Value Adjustment
Mainsail II (1)	Restructured	1,007,642.19	405,000.00	602,642.19
Cheyne Finance (1)	Restructured	787,502.14	507,750.00	279,752.14
Rhinebridge (1)	Restructured	1,885,308.88	1,134,600.00	750,708.88
VFNC Trust/Victoria Finance (2)	Restructured	19,921,182.16	9,536,266.00	10,384,916.16
		Total	23,601,635.37	11,583,616.00
				12,018,019.37

Fair Value Ratio	0.4908
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(1) These amounts are related to cash that was retained for DTC indemnifications and other reserves. It could be as long as 2014 before these "tail" amounts are returned to investors, and it is possible that the amount recovered may be less than the estimate.

(2) Victoria Finance's restructuring was completed during September 2009. The name of the restructured entity is VFNC Trust, and the new entity will continue to make monthly principal and interest payments. The *Estimated Fair Value* amount is based on a market price from a single dealer and the county expects to recover more than this "liquidation" price by receiving regular monthly payments over the coming years.

Impaired Pool Comments:

The majority of the amount remaining in the impaired pool is associated with VFNC Trust (Victoria). VFNC Trust continues to make monthly cash distributions. The monthly distribution for November totaled \$373,569.45. Including all receipts to date brings the cash recovery rate on the original Victoria investment to 62%. Monthly distributions will continue for as long as the underlying securities in the trust continue to pay, and we expect the monthly distributions to continue for at least 5 years.

We do not foresee distributing any realized losses until it is apparent that no further cash flows will be forthcoming. The market for this type of asset is illiquid and accurate pricing is difficult to obtain. Adding the cash recoveries through December to the month-end dealer price (45) for the VFNC Trust security results in an estimated recovery rate to senior investors of about 80%, but the actual recovery rate will depend on the size and duration of the future monthly cash distributions from VFNC Trust. At the time of Victoria's restructuring the County's financial advisory estimated that by participating in the exchange offer that the overall recovery rate could be between 50 to 76 percent, and potentially higher.

The County is a plaintiff in two lawsuits that seek the recovery of damages associated with Cheyne Finance and Rhinebridge. The County is being represented by Robbins Geller Rudman & Dowd LLP, a San Diego based securities litigation firm. The law firm is working on a contingency fee basis which means fees and costs associated with the lawsuit are based on settlements or recoveries achieved. These cases are expected to go to trial in mid or late 2013.

The King County Executive Finance Committee approved bifurcation of the investment pool as of September 1, 2008. This separated the impaired investments into their own pool distinct from the main pool of performing investments. The reasons for bifurcating the pool were to: (1) ensure the yield on the performing assets is not negatively impacted by the impaired investments; (2) enhance transparency about the value of the performing pool and the impaired pool; (3) ease the implementation of the restructuring processes for the impaired investments; and (4) expedite the restoration of the Standard & Poor's rating for the performing pool.

There was a cash "tail" payment of over \$810,000 related to Mainsail that was distributed to impaired pool participants during December 2012. The realized loss that was associated with this amount was also distributed. The Mainsail Receivers also indicated that there may be as much as \$405,000 that will be available for future disbursement, so the fair value above was updated to reflect this.

Within the impaired pool, future "tail" payments from Cheyne, Rhinebridge and Mainsail are still possible. Until we determine that no further payments are probable, no further realized losses will be distributed.